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METROPOLITAN STORES

OF CANADA LIMITED

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Annual REPORT

FISCAL YEAR ENDED JANUARY 31, 1967



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METROPOLITAN STORES OF CANADA LIMITED

METROPOLITAN STORES OF CANADA LIMITED

Head Office Winnipeg, Manitoba

Directors

R. L. BAILEY	<i>Retired Banker</i>	Winnipeg, Man.
ALBERT D. COHEN	<i>President of General Distributors Limited</i>	Winnipeg, Man.
MORLEY M. COHEN	<i>Executive Vice-President of Metropolitan Stores of Canada Limited</i>	Montreal, Que.
SAMUEL N. COHEN	<i>President of Metropolitan Stores of Canada Limited</i>	Winnipeg, Man.
F. N. HUGHES	<i>Partner — Richardson Securities of Canada</i>	Winnipeg, Man.
G. R. HUNTER, Q.C.	<i>Partner — Pitblado Hoskin & Company</i>	Winnipeg, Man.
J. H. UNGER	<i>Retired — Former President of Metropolitan Stores of Canada Limited</i>	London, Ont.

Officers

ALBERT D. COHEN	<i>Chairman of the Board of Directors</i>
SAMUEL N. COHEN	<i>President</i>
MORLEY M. COHEN	<i>Executive Vice-President</i>
GEORGE W. HOLT	<i>Vice-President</i>
RALPH C. DUCKWORTH	<i>Comptroller</i>
G. R. HUNTER, Q.C.	<i>Secretary</i>
GLEN SHEPHERD	<i>Assistant Secretary</i>

Registrar and Transfer Agent

NATIONAL TRUST COMPANY, LIMITED

Auditors

MCDONALD, CURRIE & CO.

REPORT OF DIRECTORS

To the Shareholders of
Metropolitan Stores of Canada Limited:

We are pleased to present to shareholders the sixth annual report of your Company.

During the fiscal year ended January 31st, 1967, sales and earnings again increased. The comparative tabulation of Financial Statistics shows the continued steady growth of your Company.

The renovation program which commenced five years ago has been substantially completed. Several new Metropolitan and Saan Stores were opened. We are proud of the fact that in Canada, Metropolitan, is the only wholly Canadian owned variety chain which operates from the Atlantic to the Pacific.

Six years ago the Company operated 87 stores. Today the Company and its subsidiary, Saan Stores Ltd., operate 130 stores.

In 1962 the average gross income per unit was \$230,000. In 1966 the average was increased to approximately \$290,000, a sales increase averaging 26% per unit.

The Company plans to close some of the smaller, less efficient stores and to enter into larger operations in those areas where it is considered economically feasible.

The Company's wholly-owned subsidiary, Saan Stores Ltd., when acquired in 1962, operated 22 stores. There are now 39 stores in this chain. This expansion has taken place in the Western Provinces, with 12 stores having been opened in British Columbia. All of these units are profitable and management is gratified by their ready acceptance in this fast growing and rapidly expanding province.

All renovations, new store openings, purchases of new property and new fixtures have been financed through funds generated by profits and depreciation. No new financing is anticipated for 1967 requirements in the expansion of the chain. Debt is being retired on the scheduled basis.

EARNINGS

Earnings for the year ended January 31st, 1967, before extraordinary income, were \$1,239,840, an increase of 19% over profits of the previous fiscal year. After dividend payments of \$195,000 on the \$1.30 Cumulative Redeemable Preferred shares, earnings from ordinary operations were \$1,044,840, equivalent to \$1.22 per common share as compared to \$846,083 or \$0.99 per common share in the previous year. In addition, as the result of an expropriation proceeding, the Company was in receipt of extraordinary income of \$109,730.

SALES

Sales of the Company in the year under review increased 15.5% to \$37,740,336, which compares with \$32,667,338 in the previous fiscal period.

STORE EXPANSION AND MODERNIZATION

Net additions to fixed assets in 1966 totalled \$1,481,936.

Metropolitan

New stores opened:

Ontario — Deep River

Nova Scotia — New Glasgow (replacing one closed)
Amherst (replacing one destroyed
by fire)

Modernized and renovated:

Ontario — Cornwall	Woodstock
Orillia	Kingston
Parry Sound	Sarnia
Windsor (2)	Oshawa
St. Thomas	Niagara Falls
Chatham	

Saskatchewan — Regina
Saskatoon (Enlarged in Size)

Manitoba — Brandon

Nova Scotia — Sydney
Greenwood (Enlarged in Size)

Quebec— Sherbrooke
Rouyn

Saan

New stores opened:

British Columbia — Comox
Nanaimo

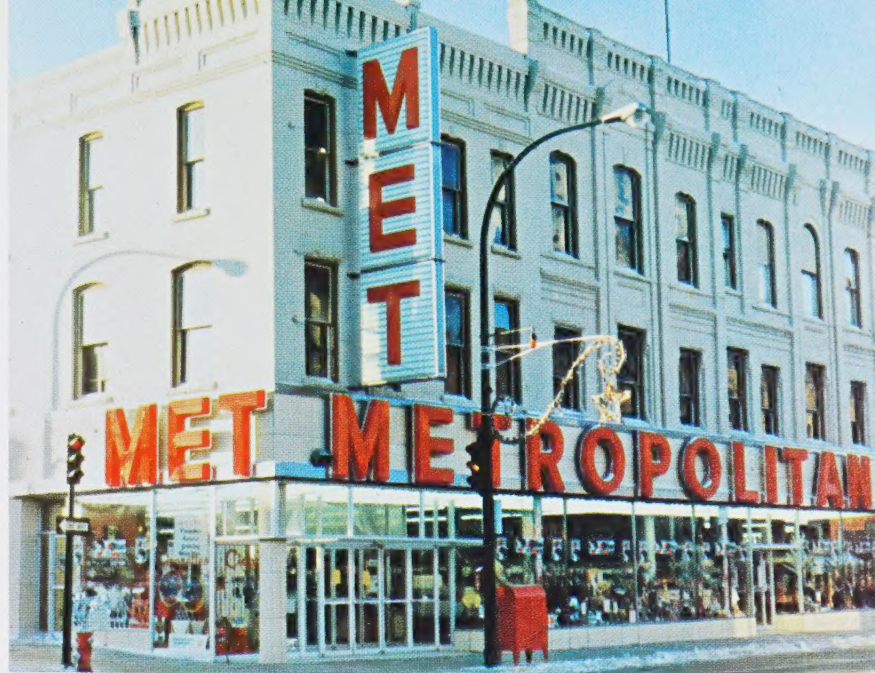
Alberta — Edmonton
Edmonton — Sherwood Park
Calgary—MacLeod Trail

Saskatchewan — Weyburn

Manitoba — Dauphin (replacing one closed)



BEFORE BRANDON, MAN.



AFTER



BEFORE REGINA, SASK.



AFTER



BEFORE AMHERST, N.S.



AFTER



SASKATOON,
SASK.



DAUPHIN, MAN.

1967 PLANS

A number of new locations for both Metropolitan and Saan are under consideration.

DIVIDENDS

As in past years, dividends at the fixed rate of \$1.30 per annum were paid on the Company's Cumulative Redeemable Preferred shares.

The financing of the expansion and renovation program is being generated internally from profits and depreciation. Your Directors, therefore, are not contemplating payment of dividends on the common shares at this time.

IN APPRECIATION

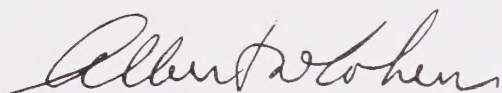
As indicated by the sales figures, the Canadian public from coast to coast seem to have a growing awareness of the excellent values available at Metropolitan and Saan Stores. Your Company pledges to continue its endeavours to bring the best values and lowest prices to our loyal customers.

The devotion and loyalty of our employees and dependable suppliers of merchandise make possible the growth of your Company. For this we are deeply appreciative.

THE FUTURE

With Canada's increasing population and economic advancement, we look forward to continued sales and profit increases in 1967.

Submitted on behalf of the Board of Directors,



*Chairman of the
Board of Directors*

Winnipeg, Canada.

March, 1967.



President

METROPOLITAN STORES OF CANADA LIMITED

(Incorporated under the laws of Canada)

AND ITS WHOLLY-OWNED SUBSIDIARY

ASSETS

CURRENT	1967 \$	1966 \$
Cash	392,800	267,800
Receivables	134,261	169,476
Inventories — at lower of cost or net realizable value	6,474,386	6,098,564
Prepaid expenses	175,022	129,426
	<u>7,176,469</u>	<u>6,665,266</u>
 FIXED		
Land — at cost	5,703,812	5,661,264
Buildings, fixtures and equipment — at cost less accumulated depreciation (Note 1)	7,506,427	6,970,817
Leasehold improvements — at cost less amortization	711,065	656,980
	<u>13,921,304</u>	<u>13,289,061</u>
 OTHER		
Sundry advances and investments	164,637	78,354
	<u>21,262,410</u>	<u>20,032,681</u>

SIGNED ON BEHALF OF THE BOARD

ALBERT D. COHEN
SAMUEL N. COHEN Directors

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Metropolitan Stores of Canada Limited and its wholly-owned subsidiary company as at January 31, 1967, and the consolidated statements of earnings and retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings and source and use of funds, when read in conjunction with the notes thereto, present fairly the consolidated financial position of the companies as at January 31, 1967, and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 6, 1967.

McDONALD, CURRIE & Co.
Chartered Accountants.

CONSOLIDATED BALANCE SHEET

AS AT JANUARY 31, 1967

(With comparative figures as at January 31, 1966)

LIABILITIES

	1967	1966
CURRENT	\$	\$
Bank Advances	967,213	1,015,924
Note payable	300,000	----
Accounts payable and accrued liabilities	1,683,670	1,571,287
Income and other taxes	690,469	608,802
Long-term debt instalments due within one year	14,964	189,003
	<u>3,656,316</u>	<u>3,385,016</u>
LONG-TERM DEBT (Note 2)	6,264,659	6,464,623
DEFERRED INCOME TAXES (Note 3)	204,123	198,300
	<u>10,125,098</u>	<u>10,047,939</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized—		
250,000 preferred shares of the par value of \$20 of which the 1961 series of 150,000 shares are entitled to a fixed cumulative dividend of \$1.30 per annum, and are redeemable at \$21.25 per share.		
1,500,000 common shares without nominal or par value		
Issued and fully paid—		
149,900 preferred shares 1961 series (100 shares redeemed at par in 1967)	2,998,000	3,000,000
852,921 common shares (Note 4)	4,751,026	4,751,026
	<u>7,749,026</u>	<u>7,751,026</u>
RETAINED EARNINGS (Note 5)	3,388,286	2,233,716
	<u>11,137,312</u>	<u>9,984,742</u>
	<u>21,262,410</u>	<u>20,032,681</u>

NOTES:—

1. FIXED ASSETS

Buildings, fixtures and equipment and related accumulated depreciation are classified as follows:

	1967			1966
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Buildings	6,348,952	1,321,321	5,027,631	4,933,512
Fixtures and equipment	4,668,974	2,190,178	2,478,796	2,037,305
	<u>11,017,926</u>	<u>3,511,499</u>	<u>7,506,427</u>	<u>6,970,817</u>

Depreciation is written at the normal maximum rates allowed for income tax purposes.

	Total	Instalments		1966
	\$	maturing in one year \$	not maturing in one year \$	Total \$
2. LONG-TERM DEBT				
61½% first mortgage sinking fund bonds, series A, to be retired by sinking fund payments of \$195,000 on February 1, 1968, and progressively increasing annual payments up to a final maximum payment of \$540,000 on February 1, 1984.	5,820,000	---	5,820,000	6,180,000
6¾% 20-year mortgage loan maturing in equal monthly instalments of \$3,759 including principal and interest	459,623	14,964	444,659	473,626
	<u>6,279,623</u>	<u>14,964</u>	<u>6,264,659</u>	<u>6,653,626</u>

\$185,000 61½% first mortgage sinking fund bonds, series A, were acquired by the company during the year for surrender to the bond trustee in lieu of the sinking fund payment due on February 1, 1967. These bonds have accordingly been deducted from the total amount outstanding as at January 31, 1967.

Sinking fund payments in prior years aggregating \$495,000 have been used by the trustee to acquire and cancel bonds of a like par value.

3. DEFERRED INCOME TAXES

Income taxes payable in respect of the year have been reduced by claiming depreciation for tax purposes in excess of that recorded in the accounts. This reduction, amounting to \$5,823 for the year, is applicable to those future periods in which the amounts claimed for tax purposes will be less than the depreciation recorded in the accounts and, accordingly, is included, together with similar amounts arising in earlier years, in the balance sheet as "deferred income taxes".

4. DIVIDEND RESTRICTIONS

The provisions of the Trust Deed securing the first mortgage sinking fund bonds, series A, prohibit the payment of dividends on common shares under certain conditions relating to the working capital and ratio of long-term debt and lease commitments to consolidated net tangible assets.

The payment of common dividends is not restricted by these requirements which are exceeded by a substantial margin.

5. RETAINED EARNINGS

Retained earnings include:

- (a) An amount of \$100,000 (\$100,000 in 1966) set aside for the redemption of preferred shares under the terms thereof.
- (b) An amount of \$2,000 set aside as required by law equal to the par value of preferred shares redeemed.

6. COST OF GOODS SOLD AND OPERATING EXPENSES

	1967	1966
Cost of goods sold and operating expenses include the following amounts:	\$	\$
Directors' remuneration	143,400	136,734
Depreciation of fixed assets and amortization of leasehold improvements	849,693	749,131
Interest on long-term debt	419,823	433,634

7. MINIMUM ANNUAL RENTALS

Minimum annual rentals on property leases, in effect at January 31, 1967, and expiring subsequent to January 31, 1972, total approximately \$452,000 (\$453,600 in 1966), exclusive of payments of property taxes and other expenses.

**CONSOLIDATED STATEMENT OF EARNINGS AND
RETAINED EARNINGS
FOR THE YEAR ENDED JANUARY 31, 1967**

(With comparative figures for the year ended January 31, 1966)

	1967 \$	1966 \$
SALES	37,740,336	32,667,338
COST OF GOODS SOLD AND OPERATING EXPENSES (Note 6)	35,228,864	30,555,074
	<u>2,511,472</u>	<u>2,112,264</u>
PROVISION FOR INCOME TAXES (Note 3)	1,271,632	1,071,181
EARNINGS BEFORE EXTRAORDINARY ITEM	1,239,840	1,041,083
EXTRAORDINARY ITEM		
Gain on expropriation of leasehold interest	109,730	---
NET EARNINGS FOR THE YEAR	1,349,570	1,041,083
RETAINED EARNINGS — BEGINNING OF YEAR	2,233,716	1,387,633
	<u>3,583,286</u>	<u>2,428,716</u>
Cash dividends on preferred shares of \$1.30 per share	195,000	195,000
RETAINED EARNINGS — END OF YEAR	<u><u>3,388,286</u></u>	<u><u>2,233,716</u></u>

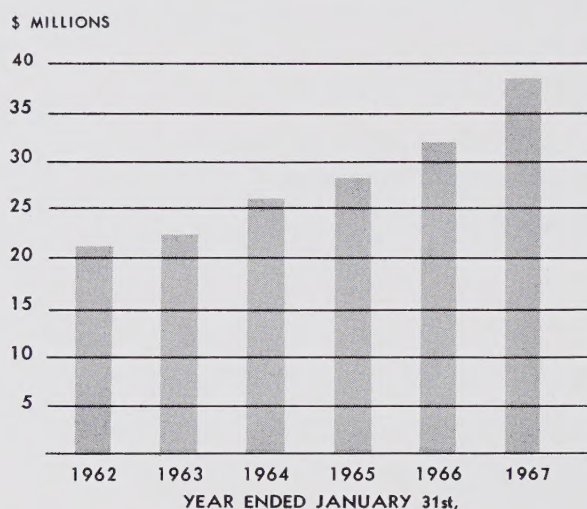
SOURCE AND USE OF FUNDS

	1967 \$	1966 \$
SOURCE OF FUNDS		
Net earnings for the year	1,349,570	1,041,083
Add: Charges not requiring cash outlay —		
Depreciation of fixed assets and amortization of leasehold improvements	849,693	749,131
Increase (decrease) in deferred income taxes	5,823	(4,600)
	<u>2,205,086</u>	<u>1,785,614</u>
USE OF FUNDS		
Additions to fixed assets — net	1,481,936	1,234,630
Increase (decrease) in sundry advances and investments	86,283	(85,430)
Dividends on preferred shares	195,000	195,000
Purchase of 6½% first mortgage sinking fund bonds (Note 2)	185,000	---
Instalments of long-term debt maturing in one year	14,964	189,003
Redemption of preferred shares	2,000	---
Other reduction in long-term debt	---	9,596
	<u>1,965,183</u>	<u>1,542,799</u>
INCREASE IN WORKING CAPITAL	239,903	242,815
WORKING CAPITAL — BEGINNING OF YEAR	3,280,250	3,037,435
WORKING CAPITAL — END OF YEAR	<u><u>3,520,153</u></u>	<u><u>3,280,250</u></u>

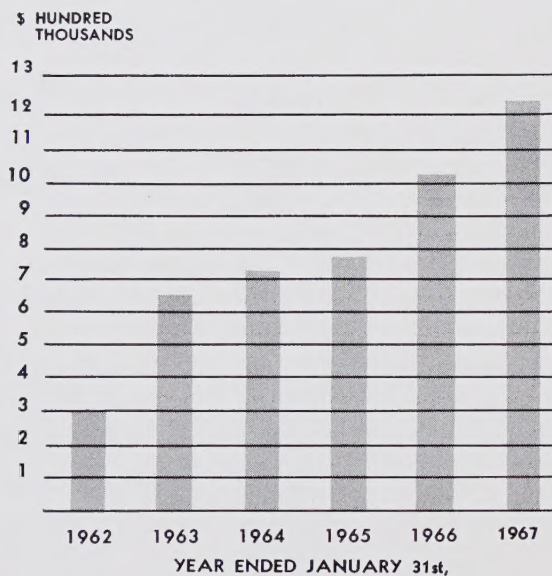
FINANCIAL SUMMARY

	Years Ended January 31					
	1967	1966	1965	1964	1963	1962
Number of Stores - - - - -	130	126	114	111	111	87
Sales - - - - -	37,740,336	32,667,338	28,767,320	25,939,724	23,185,334	20,492,362
Earnings after tax - - - - -	1,239,840	1,041,083	799,365	723,393	646,367	301,632
Preferred dividend - - - - -	195,000	195,000	195,000	195,000	195,000	97,500
Earnings for common shareholders - - - - -	1,044,840	846,083	604,365	528,393	451,367	204,132
Earnings per common share - - - - -	\$1.22	99.1¢	70.8¢	62¢	52.9¢	27.8¢

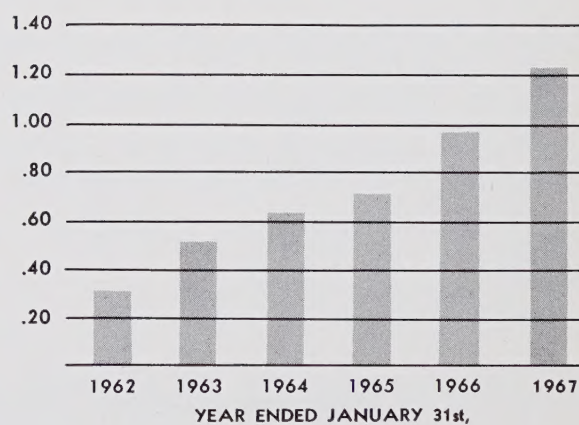
SALES



EARNINGS



EARNINGS PER COMMON SHARE



LOCATIONS OF METROPOLITAN STORES

ONTARIO 43

Aylmer	Fort William	Parry Sound	Stratford
Belleville	Kingston	Peterborough	Tillsonburg
Blenheim	Kirkland Lake	Petrolia	Timmins
Brantford	Leamington	Port Arthur	Toronto (2)
Chatham	London (3)	Ridgetown	Wallaceburg
Cobourg	Niagara Falls	St. Catharines	Waterloo
Cornwall	Orillia	St. Thomas	Willowdale
Dresden	Oshawa	Sarnia	Windsor (3)
Deep River	Ottawa (2)	Sault Ste. Marie	Woodstock
Forest			

NOVA SCOTIA 19

Amherst	Digby	Kentville	North Sydney
Antigonish	Glace Bay	Liverpool	Sydney (2)
Bridgewater	Greenwood	Lunenburg	Truro
Dartmouth (2)	Halifax (2)	New Glasgow	Yarmouth

QUEBEC 5

Hull	Quebec	Sherbrooke
Joliette	Rouyn	

SASKATCHEWAN 7

Moose Jaw
North Battleford
Prince Albert
Regina
Saskatoon
Swift Current
Yorkton

BRITISH COLUMBIA 5

Kelowna
Nanaimo
New Westminster
Vancouver
Victoria

ALBERTA 3

Calgary
Edmonton
Lethbridge

MANITOBA 4

Brandon
Dauphin
Portage la Prairie
Winnipeg

NEW BRUNSWICK 3

Fredericton
Moncton
Saint John

PRINCE EDWARD ISLAND 2

Charlottetown
Summerside

LOCATIONS OF SAAN STORES

MANITOBA 4

Brandon
Dauphin

Portage la Prairie

The Pas

SASKATCHEWAN 12

Estevan
Humboldt
Melfort
Moose Jaw

North Battleford
Prince Albert
Regina
Saskatoon (2)

Swift Current
Weyburn
Yorkton

ALBERTA 10

Calgary (2)
Camrose
Drumheller

Edmonton (2)
Grande Prairie
Lethbridge

Red Deer
Stettler

BRITISH COLUMBIA 13

Abbotsford
Chilliwack
Cranbrook
Comox

Dawson Creek
Fort St. John
Kamloops
Kelowna
Nanaimo

Penticton
Port Alberni
Revelstoke
Vernon

MET

